

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

A

E-01345A
Arizona Public Service Company
P.O. Box 53999 Station 9905
Phoenix AZ 850723999

RECEIVED

APR 15 2005

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN 01	04
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PROCESSED BY:

SCANNED

COMPANY INFORMATION

Company Name (Business Name) Arizona Public Service Company

Mailing Address P.O. Box 53999

(Street)

Phoenix

(City)

Arizona

(State)

85072-3999

(zip)

(602) 250-1000

Telephone No. (Include Area Code)

(602) 250-3003

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address SAME AS ABOVE

(Street)

(City)

(State)

(zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Justin Thompson

(Name)

Manager, Regulation Policy & Analysis

(Title)

400 North 5th Street MS 9908

Phoenix

(City)

Arizona

(State)

85004

(zip)

(602) 250-2060

Telephone No. (Include Area Code)

(602) 250-3339

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address Justin.Thompson@aps.com

On Site Manager: _____

(Name)

(Street)

(City)

(State)

(zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: CT Corporation

(Name)

3225 North Central

(Street)

Phoenix

(City)

Arizona

(State)

85012

(Zip)

(602) 277-4792

Telephone No. (Include Area Code)

N/A

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Attorney: Nancy C. Loftin, Vice President, General Counsel, & Secretary

(Name)

400 North 5th St., MS 9068

(Street)

Phoenix

(City)

Arizona

(State)

85004

(zip)

(602) 250-3252

Telephone No. (Include Area Code)

(602) 250-2873

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ **Sole Proprietor (S)**

☒ **C Corporation (C) (Other than Association/Co-op)**

☐ **Partnership (P)**

☐ **Subchapter S Corporation (Z)**

☐ **Bankruptcy (B)**

☐ **Association/Co-op (A)**

☐ **Receivership (R)**

☐ **Limited Liability Company**

☐ **Other (Describe)** _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☒ **APACHE**

☒ **COCHISE**

☒ **COCONINO**

☒ **GILA**

☐ **GRAHAM**

☐ **GREENLEE**

☒ **LA PAZ**

☒ **MARICOPA**

☐ **MOHAVE**

☒ **NAVAJO**

☒ **PIMA**

☒ **PINAL**

☐ **SANTA CRUZ**

☒ **YAVAPAI**

☒ **YUMA**

☐ **STATEWIDE**

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

☒ **Electric**

- X Investor Owned Electric
- ☐ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
 - ☐ Transmission Service Provider
 - ☐ Meter Service Provider
 - ☐ Meter Reading Service Provider
 - ☐ Billing and Collection
 - ☐ Ancillary Services
 - ☐ Generation Provider
 - ☐ Aggregator/Broker

☐ **Telecommunications**

- ☐ Incumbent Local Exchange Carrier
- ☐ Interexchange Carrier
- ☐ Competitive Local Exchange Carrier
- ☐ Reseller
- ☐ Alternative Operator Service Provider

☐ **Gas**

- ☐ Natural Gas
- ☐ Propane

☐ **Other (Specify)** _____

STATISTICAL INFORMATION

TELECOMMUNICATION UTILITIES ONLY

Total residential access lines	_____
Total business access lines	_____
Total revenue from Arizona operations	\$ _____
Total income from Arizona operations	\$ _____
Value of assets used to serve Arizona customers	\$ _____
Accumulated depreciation associated with those assets	\$ _____

STATISTICAL INFORMATION (CONT'D)

ELECTRIC UTILITY PROVIDERS ONLY

Total number of customers	989,580
Residential	880,232
Commercial	104,503
Industrial	3,428
Public street and highway lighting	996
Irrigation	343
Resale	78
 Total kilowatt-hours sold	57,214,618,000 kWh
Residential	11,527,402,000
Commercial	11,289,523,000
Industrial	2,397,916,000
Public street and highway lighting	112,617,000
Irrigation	25,865,000
Resale	31,861,295,000
 Maximum Peak Load	6,402.1 MW

GAS UTILITIES ONLY

Total number of customers	
Residential	
Commercial	
Industrial	
Irrigation	
Resale	
 Total therms sold	therms
Residential	
Commercial	
Industrial	
Irrigation	
Resale	

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

APR 26 2005

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	
Maricopa	
NAME (OWNER OR OFFICIAL) TITLE	
Chris Froggatt	VP and Controller
COMPANY NAME	
Arizona Public Service Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,121,235,257

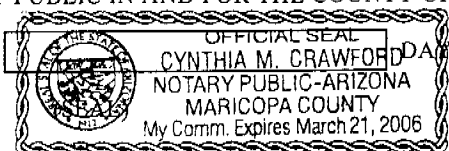
(THE AMOUNT IN BOX-. ABOVE
INCLUDES \$ 138,374,551
IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS



OF

COUNTY NAME	
Maricopa	
MONTH	2005
April	

TELEPHONE NUMBER

Cynthia M. Crawford
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES _____

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

APR 26 2005

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Maricopa	
NAME (OWNER OR OFFICIAL) Chris Froggatt	TITLE VP and Controller
COMPANY NAME Arizona Public Service Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,056,083,731

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 69,225,068
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X Chris Froggatt
SIGNATURE OF OWNER OR OFFICIAL

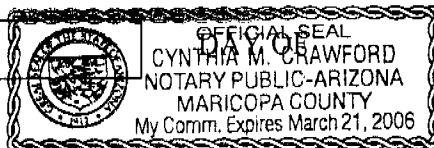
TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS
(SEAL)

MY COMMISSION EXPIRES



NOTARY PUBLIC NAME Cynthia M. Crawford	
COUNTY NAME Maricopa	
MONTH April	2005

X Cynthia M. Crawford
SIGNATURE OF NOTARY PUBLIC

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF INCOME
(dollars in thousands)

	Year Ended December 31,		
	2004	2003	2002
Electric Operating Revenues:			
Regulated electricity	\$ 2,051,602	\$ 1,999,390	\$ 1,902,112
Marketing and trading	<u>145,519</u>	<u>105,541</u>	<u>34,054</u>
Total	<u>2,197,121</u>	<u>2,104,931</u>	<u>1,936,166</u>
Operating Expenses:			
Regulated electricity purchased power and fuel	612,300	606,251	438,141
Marketing and trading purchased power and fuel	150,954	97,180	32,662
Operations and maintenance	540,277	513,604	495,845
Depreciation and amortization	336,648	389,240	399,640
Income taxes (Notes 4 and S-2)	113,696	91,646	132,953
Other taxes	<u>114,265</u>	<u>108,852</u>	<u>107,925</u>
Total	<u>1,868,140</u>	<u>1,806,773</u>	<u>1,607,166</u>
Operating Income	<u>328,981</u>	<u>298,158</u>	<u>329,000</u>
Other Income (Deductions):			
Income taxes (Notes 4 and S-2)	(6,334)	4,792	6,148
Allowance for equity funds used during construction	4,885	14,240	—
Other income (Note S-9)	30,593	20,277	5,149
Other expense (Note S-9)	<u>(13,816)</u>	<u>(12,962)</u>	<u>(19,338)</u>
Total	<u>15,328</u>	<u>26,347</u>	<u>(8,041)</u>
Interest Deductions:			
Interest on long-term debt	140,556	142,706	128,462
Interest on short-term borrowings	6,427	4,904	5,416
Debt discount, premium and expense	4,854	3,337	2,888
Capitalized interest	<u>(7,155)</u>	<u>(7,379)</u>	<u>(15,150)</u>
Total	<u>144,682</u>	<u>143,568</u>	<u>121,616</u>
Net Income	<u>\$ 199,627</u>	<u>\$ 180,937</u>	<u>\$ 199,343</u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(dollars in thousands)

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
ASSETS		
Utility Plant (Notes 1, 6, 9 and 10)		
Electric plant in service and held for future use	\$ 9,120,407	\$ 8,826,033
Less accumulated depreciation and amortization	<u>3,266,181</u>	<u>3,089,645</u>
Total	5,854,226	5,736,388
Construction work in progress	249,243	187,478
Intangible assets, net of accumulated amortization of \$154,843 and \$120,895	103,701	94,181
Nuclear fuel, net of accumulated amortization of \$59,020 and \$58,053	<u>51,188</u>	<u>52,011</u>
Utility plant – net	<u>6,258,358</u>	<u>6,070,058</u>
 Investments and Other Assets		
Note receivable from Pinnacle West Energy (Notes 1, 3 and S-10)	498,489	497,865
Decommissioning trust accounts (Note 12)	267,700	240,645
Assets from risk management and trading activities – long-term (Note S-8)	20,123	18,001
Other assets	<u>61,364</u>	<u>64,119</u>
Total investments and other assets	<u>847,676</u>	<u>820,630</u>
 Current Assets:		
Cash and cash equivalents	49,575	42,152
Investment in debt securities	181,175	69,850
Accounts receivable:		
Service customers	214,487	190,884
Other (Note 1)	63,131	67,540
Allowance for doubtful accounts	(3,444)	(3,743)
Accrued utility revenues	76,154	71,501
Materials and supplies (at average cost)	83,893	80,682
Fossil fuel (at average cost)	20,506	28,360
Assets from risk management and trading activities (Note S-8)	70,430	52,448
Other	<u>10,187</u>	<u>6,969</u>
Total current assets	<u>766,094</u>	<u>606,643</u>
 Deferred Debits:		
Regulatory assets (Notes 1, 3 and S-2)	135,051	132,349
Unamortized debt issue costs	21,832	19,797
Other	<u>69,541</u>	<u>73,056</u>
Total deferred debits	<u>226,424</u>	<u>225,202</u>
 Total Assets	<u>\$ 8,098,552</u>	<u>\$ 7,722,533</u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(dollars in thousands)

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
LIABILITIES AND EQUITY		
Capitalization:		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	1,246,804	1,246,804
Retained earnings	860,196	830,569
Accumulated other comprehensive income (loss):		
Minimum pension liability adjustment	(71,087)	(57,158)
Derivative instruments	<u>18,327</u>	<u>5,253</u>
Common stock equity	2,232,402	2,203,630
Long-term debt less current maturities (Notes 6 and S-3)	<u>2,267,094</u>	<u>2,135,606</u>
Total capitalization	<u>4,499,496</u>	<u>4,339,236</u>
Current Liabilities:		
Current maturities of long-term debt (Notes 6 and S-3)	451,247	487,067
Accounts payable	215,076	131,383
Accrued taxes	292,521	90,474
Accrued interest	33,332	42,702
Customer deposits	51,804	45,481
Deferred income taxes (Notes 4 and S-2)	9,057	631
Liabilities from risk management and trading activities (Note S-8)	34,292	58,138
Other	<u>91,441</u>	<u>60,008</u>
Total current liabilities	<u>1,178,770</u>	<u>915,884</u>
Deferred Credits and Other:		
Deferred income taxes (Notes 4 and S-2)	1,108,571	1,257,671
Regulatory liabilities (Notes 1, 3, 4, and S-2)	506,646	468,694
Liability for asset retirements and removals (Note 12)	251,612	234,440
Pension liability (Note 8)	203,668	160,639
Unamortized gain — sale of utility plant (Note 9)	50,333	54,909
Customer advances for construction	59,185	52,783
Liabilities from risk management and trading activities (Note S-8)	13,124	4,502
Other	<u>227,147</u>	<u>233,775</u>
Total deferred credits and other	<u>2,420,286</u>	<u>2,467,413</u>
Commitments and Contingencies (Notes 3, 11, 12 and S-10)		
Total Liabilities and Equity	<u>\$ 8,098,552</u>	<u>\$ 7,722,533</u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.